

**TREASURY - GENERAL**

**STATE INVESTMENT COUNCIL**

**International Government and Agency Obligations**

**Proposed Amendments: N.J.A.C. 17:16-20.1 and 20.2**

Authorized By: State Investment Council, Peter A. Langerman, Director,  
Division of Investment

Authority: N.J.S.A. 52:18A-91

Calendar Reference: See Summary below for explanation of exception to calendar requirement.

Proposal Number: PRN 2004-118

Submit comments by June 4, 2004 to:

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The agency proposal follows:

Summary

The proposed amendments to N.J.A.C. 17:16-20.1 and 20.2 do not change the currently defined permissible investments or limitations. The Approved List of International Governments (countries) will remain in the rule as this governs both international government obligations and companies incorporated or organized under the laws of these countries for purposes of international stock investments. The Division proposes elimination of the Approved List of International Agencies; these are primarily investments backed by the credit of regional authorities, which already meet the specified criteria of the rule. Having an approved list of agencies is duplicative. The amendment to N.J.A.C. 17:16-20.2 (b) also codifies existing practice whereby securities are required

to meet the specified criteria at time of purchase, but no obligation exists for the Division to sell the security if, subsequent to purchase, its rating falls.

Because the Division is providing a 60-day comment period on this notice of proposal, this notice is exempt from the rulemaking calendar requirement pursuant to N.J.A.C. 1:30-3.3(a)5.

#### Social Impact

There shall be no social impact from the proposed amendments, although the long term economic effects could benefit New Jersey taxpayers.

#### Economic Impact

A broader range of investment opportunities could provide higher returns and greater diversification for the State-administered pension funds.

#### Federal Standards Statement

A Federal standards analysis is not required because the investment policy rules of the Division of Investment are under the auspices of the State Investment Council, and are not subject to any Federal requirements or standards.

#### Jobs Impact

The State Investment Council and the Division of Investment do not anticipate that any jobs will be generated or lost by virtue of the amendments to these rules.

#### Agriculture Industry Impact

The proposed amendments shall have no impact on the agriculture industry.

#### Regulatory Flexibility Statement

A regulatory flexibility analysis is not required, since the proposed amendments impose no requirements on small businesses as the term is defined in the Regulatory Flexibility Act, N.J.S.A. 52:14B-16 et seq., but regulate only the Director of the Division of Investment.

### Smart Growth Impact

The proposed amendments are not anticipated to have an impact on the achievement of smart growth and implementation of the State Development and Redevelopment Plan.

Full text of the proposal follows (additions indicated in boldface **thus**; deletions indicated in brackets [thus]):

## SUBCHAPTER 20. INTERNATIONAL GOVERNMENT AND AGENCY OBLIGATIONS

### 17:16-20.1 Permissible investments

(a) (No change.)

(b) The Director shall submit a list of international governments[, their subdivisions and their agencies, and international agencies] to the Council for its approval. Such list may be amended or enlarged from time to time by the Council and shall constitute the “Approved List of International Governments [and Agencies].”

[(c) The Director shall only select issues of international government and agency obligations from the “Approved List” for purchase by the pension and annuity group, including Common Pension Fund D.]

### 17:16-20.2 Limitations

(a) Not more than one percent of the assets of any pension and annuity group fund shall be invested in any one issuer of [international government and agency] obligations **under this subchapter**, whether direct or guaranteed.

(b) All [international government and agency] obligations **under this subchapter** must be rated at least double-A by either Moody’s Investors Service, Inc. or Standard & Poor’s Corporation or have equivalent ratings. **Subsequent to purchase, if ratings fall below double-A for such issues, they do not have to be sold.**

(c) The total amount of debt issues purchased or acquired of any one issuer [on the Approved List] shall not exceed two percent of the outstanding debt of the issuer, and not more than 10 percent of any one issue may be purchased at the time of issue, except that these requirements may be waived by the State Investment Council.